

By Whom and When Can the Collateral be Liquidated?	<p>In order to liquidate the pool, one of the following need occur:</p> <p>a) Class A1 may direct the trustee to liquidate upon:</p> <ul style="list-style-type: none"> a. Failure to pay interest on the Notes through the AA Notes, b. Any failure to pay principal, or c. The AAA OC test is equal to or less than 89.75% (equivalent to 114.6%). <p>b) The The Trustee determines there is enough collateral to pay off all available Notes, and certain Admin Expenses and the Class A1 agrees with such assessment</p>
What Are the Manager Removal Events?	<ul style="list-style-type: none"> a) Failure to observe or perform any covenant or agreement set forth in the Management Agreement or any term of the indenture which failure in each case materially and adversely affects the Issuer or any class of Notes (cure period 30 days) ; b) Purchase by the manager of an obligation which did not qualify as and Eligible Collateral Debt Security or did not comply with the Investment Criteria and not cured for 30 days; c) bankruptcy events occur with respect to the Collateral Manager; d) occurrence of an act by the Collateral Manager that constitutes fraud or criminal activity in the performance of its obligations or any executive officer of the Manager being indicted for a criminal felony offence materially related to the Collateral Manager's primary business; e) occurrence of an Event of Default (a), (b) or (d) (failure to pay interest or principal and 40 act violation); f) relates to a merger with someone other than Credit Suisse g) the occurrence of a Class A Overcollateralization Ratio to be less than 100.5% (effectively 128% to the Class A1 Notes).
Who Can Remove the Manager and What is the Selection Process?	<p>The Manager may be removed for cause at any time at the direction of (x) a majority of the Class A1 and Class S voting as a single class or (y) majority of the income notes</p> <p>For the replacement process, the majority of any class may propose a successor. The successor must be consented to by the Class A1.</p>
Any thing unusual in the Waterfall	Nothing other than accommodating the already mentioned hybrid synthetic structure and the weaknesses already highlighted.
Are There Any Interest Diversion Tests?	No.
OC Tests and Haircuts	<p>OC test levels have haircuts applied:</p> <p>Effective to the A1 Notes: 131%; initially 133% Class A OC (after 'AA' class): 102.4% initially 104.38% Class B OC (after 'A' class) 100.5%; initially 101.27%</p> <p>Class A Interest Coverage: 111.0% Class B Interest Coverage: 106%</p> <p><i>Rating Migration Haircuts (OC Tests)</i> (using lowest rating category for each security, and excluding Written-Down, Deferred Interest PIK Bonds and Defaulted Securities).</p> <p>The sum of:</p>

	<p>1.</p> <ol style="list-style-type: none"> for assets rated: Baa1, Baa2, Baa3 or BBB+, BBB, BBB-, 10% multiplied by the amount of the collateral with these ratings, and for assets rated: Ba1, Ba2, Ba3 or BB+, BB, BB-, 10% multiplied by the amount of the collateral with these ratings, and for assets rated: B1, B2, B3 or B+, B, B-, 30% multiplied by the amount of the collateral with these ratings, and for assets rated: Caa1, Caa2, Caa3 or CCC+, CCC, CCC-, 50% multiplied by the amount of the collateral with these ratings.
How Long Is the Reinvestment Period and Are There Any Conditions That Would Shorten Reinvestment?	<p>Limited over 3 Years</p> <p>a) Only 10% of the pool can be reinvested including unscheduled principal proceeds.</p>
What is the Average Life Test and How Will it Adjust?	7 Years from the Closing Date. One year decrement per year of transaction.
Can the Manager Reinvest After the Reinvestment Period?	No.
How much can the manager invest synthetically? Is there any additional liquidity risk?	100%, if the sum of cash investments, losses and securities delivered under the credit events in CDS contracts exceed \$500 million, the next dollar required will be called upon from the Class A-1 Swap Counterparty. the Funder will be assuming this obligation and Ambac will provide credit protection at maturity. Any amounts funded by the Class A-1 Swap Counterparty are senior in repayment in both the interest and principal waterfall.
Is there an Auction Call? When and how does it work?	8 years (Notes need to be redeemed (AAA through BBB) and equity at 0% IRR (the equity has received their face amount through payments and redemption proceeds). If the requirements of the auction call is not met, the process is repeated quarterly until successful.
When is the optional call?	3 years (this is slightly less than typical transactions but does match the reinvestment period). For the transaction to be called by equity, they have to be satisfied with their return at that point including any return of capital (i.e., double A CDOs have incurred significant spread tightening).
What are the credit events on the underlying PAUG CDS(the underlying "A" rated CDOs)? What will happen?	<p>Failure to pay principal, failure to pay interest, writedown, distressed ratings downgrade.</p> <p>Under the PAUG CDS, the buyer of protection is paid by the seller (Class V) as losses are incurred with the ability to close out the transaction with physical settlement. This assumes that the cash bond is available in the market which is probably a bigger problem in the RMBS/CDO world given the amount of synthetics written on a given cash reference obligation. Nevertheless, if the buyer of protection has the bond, they can deliver it upon a credit event.</p> <p>PAUG methodology has fixed cap and variable cap limits on interest shortfalls payment. Fixed cap limits the interest shortfall payment to the premium. Variable cap has no limit. The CDO market generally trades as either fixed cap/implied writedown or variable cap/no</p>

	<p>implied writedown (CDOs very rarely have writedown provisions).</p> <p>Implied writedown is deemed the greater of (i) the difference between the assets and notes outstanding at the same priority (i.e., are the notes collateralized at par) and (ii) the difference between 100% and the overcollateralization ratio for the class of notes protected (i.e., the double A rated notes) taking into account any adjustment (e.g., OC haircuts) in its calculation. . This feature, which has become more standard to CDS on CDOs, has been very controversial with the rating agencies and monolines because it based upon OC tests whose construction differs by transaction. This transaction does permit fixed cap/implied writedown; however, the confirm states that if an asset has been written down (based upon implied), and it is performing (i.e., paying interest), then Citibank will pay LIBOR plus the premium on the amount written down.</p>
What happens if a synthetic security reference obligation is downgraded to CCC? What if the reference obligation is delivered?	The principal balance of a synthetic security is its notional amount. The synthetic would count towards any haircuts based upon the reference obligation. If the obligation is delivered, monies in the TRS account will be used to pay for the security first and then draws upon the Class A1 (to be funded by the Funder).
Interest Rate Hedge	None

THE CREDIT DEFAULT SWAP

A CDS contract will be entered into by ACP with the Funder which will be consistent with other CDS executions with the benefit of a pay-as-you go feature on credit events. In other words, rather than having the bonds accelerate and be put to Ambac upon a credit event (as a PAUG CDS would be able to do), the CDS will cover the Class A-1 Note for timely payment of interest when due and ultimate payment of principal at maturity. This is better from a liquidity exposure but provides no mark to market benefit. The CDS will be executed under an ISDA Master and Schedule, with no Credit Support Annex.

Credit Events: The only Credit Event under the CDS will be Failure to Pay.

Settlement: The CDS will have cash settlement based upon loss of interest and/or principal.

With respect to the CDS's credit event Failure to Pay relates to the possibilities of a missed payment of principal or a missed payment of interest. The occurrence of a Failure to Pay prior to maturity is significantly reduced by the fact that (i) no scheduled principal is due until the legal stated final maturity, and, therefore, there can be no Credit Event triggered by a missed principal payment until the end of the 45th year (provided that the Class A1 does not vote for an acceleration and liquidation following an event of default) and (ii) all collections including principal can be used to pay interest, mitigating the likelihood of a missed interest payment.

Ambac will have provisions to vote the securities through the CDS. In addition, Citigroup will ensure that, prior to the closing date, a mechanism is in place to ensure that Ambac receives all Trustee reports and notices produced pursuant to the Indenture.

Ambac will receive a premium of 30 basis points per annum on the CDS for a projected net CEP of approximately \$22.5 million assuming a weighted average life of 5.5 years. Under the RAROC model, the return is 74.8%. Please see the CEP and RAROC Calculator attached hereto as Appendix C.

Conclusion

This transaction represents an excellent return on risk. In the context of a higher attachment than other CDO-squareds (single A vs. BBB), the 17.6% mezzanine AAA/Aaa classes below, and the standard structural

features , this is a strong addition to the CDO-squared portfolio of credits.

Drill-Down Analytics for ABS CDO² Transactions

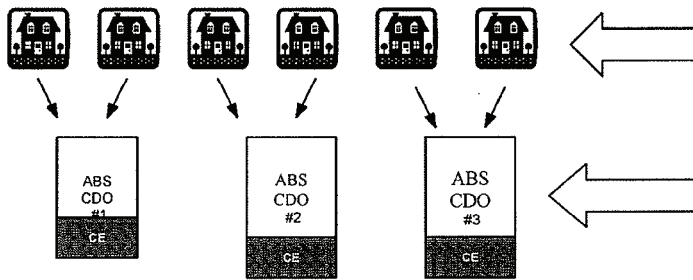
Transaction Name	CDO² Subordination	Underlying ABS CDO Collateral Composition	Ambac On-Site Due Diligence of Underlying ABS CDO Collateral Managers
Class V-Single A	50%	Single-A ABS CDOs	40%
888	50%	Single-A ABS CDOs	36%
Class V-AA	25%	AA ABS CDOs	40%

The below analysis describes the drill-down analytics completed on each transaction. In addition to the normal Credit Risk/Return Analytics completed for each of the 888, the Class V-Single A CDO² and Class V-AA CDO² transactions, we completed a drill-down analysis. This analysis involves applying stress case assumptions to the lowest layer of collateral – the mortgage pools that are the subject of the RMBS securities purchased by each CDO in which the CDO² has invested.

We were able to run this analysis on approximately 70% of the underlying ABS CDOs using Derivative Solutions and Intex (888 (73.6%); Class V-A (64.6%); Class V-AA (68%)). This drill-down analysis permitted us to evaluate on a synthetic basis, without taking into account structural features (OC/IC tests) of the CDO² transactions, the degree to which the subordination in each CDO² transaction was absorbed assuming a systematic deterioration of the mortgage pools backing each ABS CDO. In addition, to confirm our results, we ran the same analysis on one ABS CDO by making similar assumptions on the mortgage pools underlying its RMBS investments and received similar results. The 50% CDO² subordination in the 888 and Class V-A transaction protects Ambac from claims under scenarios with underlying cumulative RMBS collateral losses in the 15%-17% range while the 25% CDO² subordination in the Class V-AA transaction protects Ambac from claims under scenarios with underlying cumulative RMBS collateral losses approaching 20%. To put this in context, Ambac's experience with the worst Equicredit transaction was a cumulative collateral losses slightly in excess of 10%.

Application of Collateral Stresses to the Underlying ABS CDO Securities To Assess the Adequacy of the CDO² Subordination

Underlying RMBS, CMBS and other ABS Securitizations



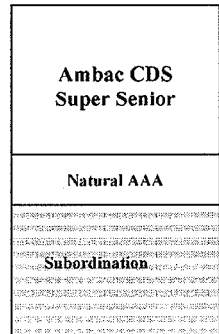
CPR, default rate, loss given default and interest rate stresses (forward curve) applied to underlying collateral in each ABS CDO. Based upon these assumptions the resulting total cumulative losses applied ranged from 15%-17% depending on the scenario run.

Total ABS CDOs Reviewed

888—64.59%

Class V—73.95%

Cashflows reviewed to evaluate sufficiency of CDO² subordination.



Natural AAA Subordination:

Class V-Single A and 888-18%

Class V-AA - 9%

Subordination:

Class V-Single A and 888-50%

Class V-AA - 25%

Class V-A

CDR	Severity	CPR	CDO ² Subordination Written Down	Cumulative Collateral Losses Applied to Underlying RMBS
8%	60%	30%	23.98%	10%-11%
8%	60%	20%	35.64%	15%-17%
8%	65%	25%	35.76%	14%-16%

888

CDR	Severity	CPR	CDO ² Subordination Written Down	Cumulative Collateral Losses Applied to Underlying RMBS
8%	60%	30%	32.92%	10%-11%
8%	60%	20%	47.05%	15%-17%
8%	65%	25%	48.02%	14%-16%

Class V-AA

CDR	Severity	CPR	CDO ² Subordination Written Down	Cumulative Collateral Losses Applied to Underlying RMBS
9%	65%	20%	19.48%	14%-16%
10%	65%	25%	18.39%	14%-16%
10%	70%	25%	22.94%	18%-20%

Underlying ABS CDO Managers

The chart below sets forth a summary of the CDO managers of the ABS CDOs. We have conducted on-site due diligence on 17 managers, of which approximately 45% are CDO managers with ABS CDOs included in the CDO² transactions under consideration. This on-site due diligence included a review of the investment systems, policies and methodology of the manager. This additional familiarity with the CDO managers is an additional factor that we considered when evaluating the adequacy of the CDO² credit support.

In the chart,, Ambac has completed an on-site due diligence review for the 17 managers that are bolded.

Collateral Manager	888	Class V - A	Class V - AA	Grand Total
250 CAPITAL	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000
ACA	\$ 20,000,000	\$ 59,945,014	\$ 160,000,000	\$ 239,945,014
ALLEGIANCE	\$ 4,000,000	\$ -	\$ -	\$ 4,000,000
BlackRock	\$ 19,999,086	\$ 20,000,000	\$ -	\$ 39,999,086
Bradlock	\$ 39,852,320	\$ 19,852,320	\$ 40,000,000	\$ 99,704,641
BSAM	\$ 10,000,000	\$ 20,000,000	\$ 40,000,000	\$ 70,000,000
Cairn	\$ 40,000,000	\$ 20,000,000	\$ 40,000,000	\$ 100,000,000
Cambridge Place	\$ 10,000,000	\$ 20,000,000	\$ 40,000,000	\$ 70,000,000
CHURCH TAVERN	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000
CSAC	\$ 30,000,000	\$ -	\$ -	\$ 30,000,000
CSAM	\$ 40,000,000	\$ -	\$ -	\$ 40,000,000
DB ZWIRN	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000
Declaration Asset Management	\$ 10,000,000	\$ -	\$ 40,000,000	\$ 50,000,000
Deerfield	\$ 9,997,415	\$ 9,998,371	\$ 40,000,000	\$ 59,995,786
E*TRADE	\$ 20,000,000	\$ 20,000,000	\$ 40,000,000	\$ 80,000,000
FTW	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000
Fortis Investments	\$ 39,780,182	\$ 29,890,091	\$ 80,000,000	\$ 149,670,272
GSC	\$ -	\$ 80,000,000	\$ 120,000,000	\$ 200,000,000
IALCYON	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000
Harding	\$ -	\$ 40,000,000	\$ 160,000,000	\$ 200,000,000
HBK	\$ -	\$ 40,000,000	\$ 40,000,000	\$ 80,000,000
Investec	\$ -	\$ -	\$ 40,000,000	\$ 40,000,000
Ischus	\$ 39,812,927	\$ 30,000,000	\$ 80,000,000	\$ 149,812,927
IXIS	\$ 10,000,000	\$ 10,000,000	\$ 40,000,000	\$ 60,000,000
JPAM	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000
JPMIM	\$ -	\$ 10,000,000	\$ 40,000,000	\$ 50,000,000
LBAM	\$ 20,000,000	\$ 40,000,000	\$ 80,000,000	\$ 140,000,000
MetWest	\$ 25,000,000	\$ 30,000,000	\$ 80,000,000	\$ 135,000,000
MKP	\$ 10,000,000	\$ 40,000,000	\$ 80,000,000	\$ 130,000,000
NIB Capital	\$ 40,000,000	\$ 40,000,000	\$ 80,000,000	\$ 160,000,000
NIR	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000
PRINCETON	\$ 10,000,000	\$ -	\$ -	\$ 10,000,000
Putnam	\$ 20,000,000	\$ 20,000,000	\$ 80,000,000	\$ 120,000,000
RaboBank	\$ 10,000,000	\$ 19,896,322	\$ 40,000,000	\$ 69,896,322
SENECA	\$ 9,986,204	\$ -	\$ -	\$ 9,986,204
STAM	\$ -	\$ 19,925,522	\$ 40,000,000	\$ 59,925,522
STATE STREET	\$ 20,000,000	\$ 40,000,000	\$ 80,000,000	\$ 140,000,000
TCW	\$ 29,611,171	\$ -	\$ -	\$ 29,611,171
Terwin	\$ 34,904,457	\$ 9,936,305	\$ 40,000,000	\$ 84,840,762
Tricadia*	\$ 20,000,000	\$ 50,000,000	\$ 120,000,000	\$ 190,000,000
Vanderbilt	\$ 20,000,000	\$ 10,000,000	\$ 40,000,000	\$ 70,000,000
VERO	\$ 20,000,000	\$ -	\$ -	\$ 20,000,000
Vertical Capital	\$ 30,000,000	\$ 40,000,000	\$ 80,000,000	\$ 150,000,000
STATIC-No Manager	\$ -	\$ 40,000,000	\$ 40,000,000	\$ 80,000,000
STRATEGOS (Cohen & Co.)	\$ 20,000,000	\$ 30,000,000	\$ 80,000,000	\$ 130,000,000
Grand Total	\$ 812,943,762	\$ 859,443,946	\$ 2,000,000,000	\$ 3,672,387,708

* Non ABS CDOs

** We have confirmed that the Class V-A and Class V-AA transactions contain the same underlying ABS CDOs. Differences in the above table reflect different points in the ramp.

Manager Asset Analysis

Similar to the way, Ambac would review an individual CDO of ABS, the CSAC team responsible for ABS analysis ("LIG") performs a fundamental analysis of each credit they review, starting with an understanding of the Issuer / Servicer, looking at their operational capabilities, past performance and financial resources. They then perform a review of the credit, evaluating borrower quality, FICO, LTV, pool-level credit enhancement, and generate loss curves with a proprietary model which incorporates historic performance data from Loan Performance Corporation ("LPC"), and running stress tests on the credits. The team runs forecasting models that take all delinquencies beyond 59 days and take them to full default over the next 24 months (assumes zero cures). Severity levels are calculated to determine the level at which losses would occur, meaning they push (stress) the collateral to the point at which the structure incurs a loss, to ensure that the subordination level covers the level of default that may exist in the market. If the results satisfy LIG coverage requirements, the credit is then viewed in the broader sense of the structure they're developing and how the cash flow profile matches that of the CDO.

The internally developed model incorporates LPC performance data from 1997 – 2002 and uses this data to generate loss curves for each credit reviewed. Portfolio management tools provide for monitoring capabilities by linking with INTEX data, Rating Agency and Trustee reports, providing ongoing performance data for each credit and the collateral.

Transaction Description

The Transaction's waterfall, portfolio requirements, coverage tests, events of default and the other relevant structural features have been reviewed and determined to be in line with market standards and other high grade CDO squareds and CDO of ABS with weaknesses highlighted throughout.

Co-Issuers:	Class V Funding IV, Ltd./ Class V Funding IV, Corp.
Underlying Assets:	100% double A rated CDO of ABS
Manager:	Credit Suisse Alternative Capital ("CSAC") serves as the Manager. Manager rating of 3.5. See Appendix F.
Payment Dates:	Payments of interest will be payable quarterly on the [28] th of each month beginning [] 2007.
Reinvestment Period:	3 Years – lightly managed with up to 10% of initial balance being reinvested including unscheduled principal payments.
Controlling Class	Class A-1 Notes
Discount Obligations:	1. There are no discount securities in the warehouse pool. Minimum Purchase Price when looking at underlying reference obligations is 85%. There are typical discount provisions on reinvestment.

Collateral Quality Tests:

Collateral Quality Tests are subject to the following:

<i>Designated Maximum Asset Correlation Factor</i>	35
<i>Designated Moody's Maximum Rating Distribution</i>	25

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Moody's Minimum Weighted average recovery rate test: 35%

S&P Weighted Average Recovery Rate test: 53%

Weighted Average Spread: [tbd] bps; minimum 170bps

S&P CDO Monitor test: Must be satisfied after the purchase and/or sale of any Collateral in the Portfolio.

Weighted Average Life Test: 7 years

Portfolio Parameters:

Securities Limitations:

- 2% issuer concentration with up to 2 to 3.5%
- Rating below Aa3/AA-, 0%
- Collateral manager concentration, 10%
- CDO securities, 100%
- CDO², 2%
- ABS CDO, 100%
- Pikable, 100%
- Maturing beyond maturity date, 10% (only 5% beyond 5 years)
- Fixed Rate reference obligations, 5%
- Non quarterly pay, 5%
- Cash assets, 20%
- RMBS, 5%
- Static Bespoke (RMBS backed), 2%

Pro Rata Payment

Conditions:

Trading Gains:

Sequential pay from the Closing Date

Principal Collections

Interest Waterfall:

While this waterfall covers both synthetic and cash mechanics, it is consistent with the standards in other CDO transactions.

On each Payment Date (which are quarterly, Interest Collections will be distributed in the following priority:

- a) Taxes, filing and registration fees owed by the Co-Issuers,
- b) Pari Passu (i) to any CDS Asset Counterparty, any CDS Asset Interest Payments (CDS Interest Shortfall) due (ii) any Covered Short CDS Asset Counterparty, amounts due, (iii) CDS Counterparty, any payment other than termination payments and (iv) any accrued and unpaid Intermediation Fee
- c) To the trustee and Income Note Paying Agent, fees up to the greater of \$6,250 and .0025%
- d) To the trustee, Collateral Administrator and Income Note Paying Agency, Administrative Expenses and then to the Expense

- e) Reserve Account (until it reaches \$50,000) and these amounts not to exceed \$50,000
- f) Management Fee (10 bps)
- g) [holder]
- h) Pari Passu to the (a) Periodic Interest on the Class A1 Notes (if funded L+45 bps) (b) any Class A1 Swap Option Fee (effectively the commitment fee at 28 bps) and (c) to the Periodic Interest on the Class S Notes
- i) Pari Passu (a) Class A1 Note repayment to pay any interest shortfall and (b) \$1,960,000 to the repayment of the Class S Note
- j) Pari passu (i) any hedge payment (none expected) and (ii) repayment for the Cashflow Swap
- k) First, interest on the Class A2 Notes, second, interest on the Class A3 Notes and third interest on the Class A4 Notes
- l) If the Principal Coverage Test or Interest Coverage Test with respect to the Class A Notes (AAA and AA) is not satisfied, pari passu, (i) repay the A1 Notes if drawn and if undrawn, deposit to the Reserve Account to reduce the the Class A1 Notional Amount and (ii) repay the Class S Notes and then to the Class A notes in order of seniority
- m) Semi-annual Reserve Account (to take care of semiannual pay collateral) (none expected at closing)
- n) Interest on the Class B Note
- o) If the Principal Coverage Test or Interest Coverage Test with respect to the Class B Notes (AAA, AA and single A) is not satisfied first to pay the Class B Notes, and then pari passu, (i) repay the A1 Notes if drawn and if undrawn, deposit to the Reserve Account to reduce the the Class A1 Notional Amount and (ii) repay the Class S Notes and then to the Class A notes in order of seniority and then Class B Notes
- p) Interest Shortfall to the Class B
- q) [holder]
- r) [holder]
- s) [holder]
- t) Until the end of year 3, to be retained to purchase securities with accrued interest
- u) 65% of remaining amounts to the Class A-4 and Class B on a pari passu basis
- v) Excess Administrative Expenses
- w) Any defaulted swap payments
- x) To the Income Notes

Principal Waterfall:

On each Quarterly Payment Date, principal proceeds will be distributed in the following order:

- a) Clause A and B in the interest waterfall
- b) Pari Passu (i) to any CDS Asset Counterparty, any CDS Asset Principal Payments and termination payments (other than subordinated payments) (ii) any Covered Short CDS Asset Counterparty, amounts due for termination payments, (iii) CDS Collateral Securities Counterparty, any payment other than subordinated termination payments
- c) Clause C through G above

- d) Repay the Class A1 Note if drawn
- e) Clause I through M above
- f) If the Principal Coverage Test or Interest Coverage Test with respect to the Class B Notes (AAA, AA, and single A) is not satisfied, *pari passu*, (i) repay the A1 Notes if drawn and if undrawn, deposit to the Reserve Account to reduce the the Class A1 Notional Amount and (ii) repay the Class S Notes and then to the Class A notes in order of seniority and then Class B Notes
- g) [holder]
- h) Up until the end of year 3 for reinvestment at the manager's option but limited to the reinvestment constraints (including no more than 10% of the initial pool).
- i) First, to pay *pari passu* (i) the the Holders of the Class A1 Notes, the Class A1 Note Amount and then to deposit to the Reserve Account until the Class A1 Swap Notional Amount is reduced to zero, (ii) principal of any outstanding S Note and second, principal in seniority.
- j) [holder]
- k) Income Notes

Management Biographies

John G. Popp. *Managing Director-Head of LIG.* Mr. Popp is Head of the Leveraged Investments Group, with primary responsibility for directing the investment decision and monitoring processes and managing/overseeing LIG's global investment strategy. Mr. Popp chairs the LIG ABS Credit Committee. Prior to joining LIG, Mr. Popp was a founding partner and head of asset management of First Dominion Capital, LLC, overseeing the management of \$2.5 billion in CDO Vehicles. From 1992 through 1997, Mr. Popp was a Managing Director of Indosuez Capital and also served as President of Indosuez Capital Asset Advisors, Inc., and President of 1211 Investors, Inc. While at Indosuez, Mr. Popp was responsible for building that firm's asset management business, including the development of three CDO Vehicles aggregating \$1.3 billion. Prior thereto, Mr. Popp was a Senior Vice President in the Corporate Finance Department of Kidder Peabody & Co., Inc., which he joined in 1989. Mr. Popp had previously been a Vice President in the Mergers and Acquisitions Department of Drexel Burnham Lambert. Mr. Popp is a council member of The Brookings Institution and a member of The Juilliard School Council. He holds a B.A. from Pomona College and a M.B.A. from the Wharton Graduate Division of the University of Pennsylvania.

Andrew H. Marshak *Managing Director* Mr. Marshak has global responsibility for overseeing LIG's portfolio management and trading. Mr. Marshak is a member of the LIG ABS Credit Committee. Prior to joining LIG, Mr. Marshak was a Managing Director and a founding partner of First Dominion Capital, LLC, which he joined in 1997 from Indosuez Capital, where he served as a Vice President. Prior to joining Indosuez Capital in 1992, Mr. Marshak was an Analyst in the Investment Banking Department of Donaldson, Lufkin & Jenrette. He holds a B.S., Summa Cum Laude, from the Wharton School of The University of Pennsylvania.

Michael Shackelford *Director.* Mr. Shackelford joined LIG in 2006 and is primarily responsible for managing and marketing ABS CDOs. Mr. Shackelford is a member of the LIG ABS Credit Committee. Prior to joining LIG, Mr. Shackelford was a portfolio manager and trader with INVESCO Institutional (N.A.) Inc. responsible for managing and marketing ABS CDO portfolios. Prior to that Mr. Shackelford was a portfolio manager and trader with AEGON USA Investment Management, LLC. He was also with Credit-

John G. Popp. *Managing Director-Head of LIG.* Mr. Popp is Head of the Leveraged Investments Group, with primary responsibility for directing the investment decision and monitoring processes and managing/overseeing LIG's global investment strategy. Mr. Popp chairs the LIG ABS Credit Committee. Prior to joining LIG, Mr. Popp was a founding partner and head of asset management of First Dominion Capital, LLC, overseeing the management of \$2.5 billion in CDO Vehicles. From 1992 through 1997, Mr. Popp was a Managing Director of Indosuez Capital and also served as President of Indosuez Capital Asset Advisors, Inc., and President of 1211 Investors, Inc. While at Indosuez, Mr. Popp was responsible for building that firm's asset management business, including the development of three CDO Vehicles aggregating \$1.3 billion. Prior thereto, Mr. Popp was a Senior Vice President in the Corporate Finance Department of Kidder Peabody & Co., Inc., which he joined in 1989. Mr. Popp had previously been a Vice President in the Mergers and Acquisitions Department of Drexel Burnham Lambert. Mr. Popp is a council member of The Brookings Institution and a member of The Juilliard School Council. He holds a B.A. from Pomona College and a M.B.A. from the Wharton Graduate Division of the University of Pennsylvania.

Andrew H. Marshak *Managing Director* Mr. Marshak has global responsibility for overseeing LIG's portfolio management and trading. Mr. Marshak is a member of the LIG ABS Credit Committee. Prior to joining LIG, Mr. Marshak was a Managing Director and a founding partner of First Dominion Capital, LLC, which he joined in 1997 from Indosuez Capital, where he served as a Vice President. Prior to joining Indosuez Capital in 1992, Mr. Marshak was an Analyst in the Investment Banking Department of Donaldson, Lufkin & Jenrette. He holds a B.S., Summa Cum Laude, from the Wharton School of The University of Pennsylvania.

Michael Shackelford *Director.* Mr. Shackelford joined LIG in 2006 and is primarily responsible for managing and marketing ABS CDOs. Mr. Shackelford is a member of the LIG ABS Credit Committee. Prior to joining LIG, Mr. Shackelford was a portfolio manager and trader with INVESCO Institutional (N.A.) Inc. responsible for managing and marketing ABS CDO portfolios. Prior to that Mr. Shackelford was a portfolio manager and trader with AEGON USA Investment Management, LLC. He was also with Credit-Based Asset Servicing and Securitization LLC (C-BASS) in their capital markets group. Mr. Shackelford began his investment career with The Money Store Inc. as a credit analyst and later traded whole loan portfolios. He holds a B.A. in Economics from the University of Texas at Austin and a M.A. in Economics from California State University, Sacramento.

Samir Bhatt *Director.* Mr. Bhatt joined LIG in 2004 as a credit analyst and is currently an ABS and structured product trader and a portfolio manager for LIG. Prior to that, Mr. Bhatt worked in the structured finance markets for seven years, the first five in the Structured Products Research group at CS and the previous two as an ABS research analyst and structurer at JPMorgan Chase. Mr. Bhatt is a member of the LIG ABS Credit Committee. Mr. Bhatt holds a B.S. in Computer Science from Cornell University.

Management Fees: Only one senior fee of 10 basis points.

Key Person: None

Hedges: There is no interest rate hedge. As previously described, the manager

There is no interest rate hedge. As previously described, the manager can reduce exposure to a credit by either terminating the CDS at market or entering into a Covered Short CDS (i.e., CDO pays premium) which offsets the exposure and the related premium. The manager can not enter into uncovered short CDS.

Status and Form: 144A: DTC
Regulation S: Euroclear and Clearstream.

Additional Issuance: None

Surveillance

Surveillance of the transaction will be conducted by MBS CDO Risk Management, CDO Group and CDO Credit Analytics, and others with specific expertise as appropriate. On-going surveillance will be an extension of the original underwriting credit analytics. Complete reviews will be conducted at least annually. Trustee reports will be reviewed monthly, including trigger levels and monthly trading.

Credit Risk/Return AnalyticsAA CDO²

Analyst: Emily He

Ambac Analysis:

The Class A1 Super-Senior unfunded tranche of this CDO² (\$1.5 billion notional amount), has 25% subordination. The collateral WARF limit is 25 (Aa2/AA).

- Ambac's premium is 30 bps.
- Ambac's exposure is super-senior with a 16% mezzanine AAA/Aaa tranche below our attachment and a 74.8% RaRoC.
- RaRoC model reveals expected loss of \$788,998 and CEP of \$22,551,319.
- Base-case analysis cannot reveal an Ambac claim in 100,000 Monte Carlo iterations.
- The initial required S&P capital is *negative* \$47,060,780 (i.e., the deal contributes \$47mm of S&P capital).

The sources and uses table is as follows:

Sources:		Uses:	
Debt:		Collateral Price	2,000,000,000
Class S	26,500,000	Closing Expenses and Accrued Interest	
Class A1 Unfunded SS	1,500,000,000	Interest Reserve for Synthetic Assets	5,000,000
Class A2	240,000,000	Moody's	550,000
Class A3	80,000,000	S&P	550,000
Class A4	96,000,000	Citigroup Underwriting Fee	22,500,000
Class B	64,000,000	Equity Placement Fee	1,250,000
	1,980,000,000	Loss Reserve	500,000
Income Notes	25,000,000	Other	1,150,000
Total	2,031,500,000	Total	2,031,500,000

% Risk Profile Summary

Model	Mean Loss	99.30%	P [Ambac Claim]	Rating
CDOManager (Ratings) – Base Case	0%	0%	0%	Aaa

\$ Risk Profile Summary

CEP = \$22,551,319		
Model	Mean Loss	99.30%
CDO-Manager (Ratings) - Base Case	\$0	\$0

Modelling Parameters and Assumptions

The transaction under review is a \$2.0 billion CDO-squared structure referencing ABS CDOs. Citigroup provided Ambac with a pool that is fully ramped and composed of 50 issuers. This portfolio contains 100% ABS CDO tranches.

This transaction involves taking synthetic exposure to cash reference obligations through Pay-As-You-Go Credit Default Swaps ("PAUG CDS"). We have adapted the transaction to replicate a typical cash flow CDO which assumes that 100% of the assets under CDS are put to the CDO (typically only permitted after a credit event). As

such, while the CDO will pay an option fee of 23 basis points as a commitment fee in the transaction, we have assumed a fully funded coupon of LIBOR plus 46 basis points. Further we modeled each asset as paying LIBOR plus the premium on the CDS (less any intermediation fee).

Default Probability Derivation Assumptions

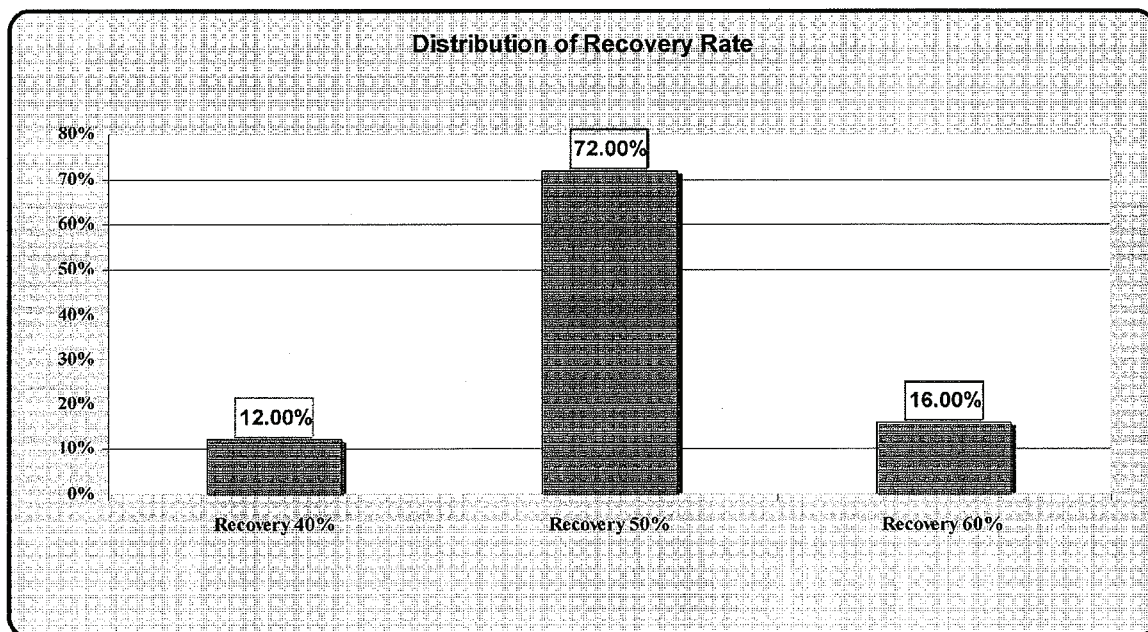
As stated above, the collateral pool will be composed of Aa2/AA rated ABS CDOs. Ambac's standard approach to modeling CDO of ABS is (Ambac) ratings-based, employing ratings-implied default probabilities to simulate collateral losses.

Correlation Assumptions

We apply a pair-wise correlation of 35% across the inner CDOs, as suggested by rating agency studies.

Recovery Assumptions

Recovery Rates were likewise derived from Moody's CDOROM based on rating, obligor maturities, sector, and tranche thickness. The weighted average recovery rate is 50.4%.



Collateral Quality Test Parameters

Total Portfolio Collateral	Constraint
Minimum Weighted Average Spread	[170] bps
Maximum % Below Aa3/AA-	[0]%
Maximum Weighted Average Asset Correlation (Moody's)	[35]%
Maximum Moody's Weighted Average Rating Factor	Aa2/AA [25]
Minimum Weighted Average Recovery Rate (Moody's)	[35]%
Maximum Weighted Average Life	[7.0] Years

Collateral Characteristics of the Portfolio

	Modeled Portfolio Base Case	Modeled Portfolio Moral Hazard
Total Par Value	\$2,000,000,000	\$2,000,000,000
Number of Obligors	50	50
% Ramped	100%	100%
Average Exposure Size	\$40,000,000	\$40,000,000
Weighted Average Spread	170bps	170bps
Weighted Average Maturity	5.94 Years	7.00 Years
Moody's Weighted Average Recovery Rate	50.40%	35.00%
Weighted Average Rating Factor	20	25
Moody's Asset Correlation	35.00%	35.00%
Maturity Date	2052	2052

Ratings Concentration

Each of the ABS CDO in the portfolio has a rating of Aa2/AA.

Asset Weighted Average Life Distribution

The Base Case Weighted Average Life of the portfolio is 5.94 years.

